



MATSON  
& ISOM

LASSEN COMMUNITY COLLEGE DISTRICT

**Susanville, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2013**

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Lassen Community College District

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MATSON  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Lassen Community College District  
Susanville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lassen Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lassen Community College District, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

Continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the financial information listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Matson and Isom*

November 27, 2013  
Redding, California

**MANAGEMENTS' DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

*Lassen Community College District*

## INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Lassen Community College District (the District) for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

As required by generally accepted accounting principles, certain comparative information between the current and the prior year is required to be presented in the MD&A. This annual report consists of three basic financial statements that provide information on the District's activities as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The focus on the statement of net position is designed to be similar to the bottom line results for the District. This statement combines and consolidates current financial resources (net short-term expendable resources) with capital assets and long-term obligations. The statement of revenues, expenses, and changes in net position focus on the costs of the District's operational activities, which are supported mainly by state revenues and local property taxes. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The statement of cash flows provides an analysis of the sources and uses of cash within the operations of the District.

Financial statements of the District's component unit, Lassen College Foundation, are included in this audit report but are not a focus of the following financial analysis.

## CURRENT STATUS OF THE DISTRICT

The values that are important to the District Board of Trustees, administration, and staff are Educational Excellence, Student Focus, Honesty and Integrity, Student Success, Dignity and Respect.

The Vision 2010-2014 is as follows:

- Be an Academic Leader by Ensuring Quality and Student Success
- Be an Educational Leader by Expanding Outreach and Student Access
- Be a Trusted Steward by Providing Capable Leadership and Accountability
- Be an Economic and Workforce-Development Leader for the Community
- Be a Cultural Leader in the Community
- Be a Civil and Social Leader in the Community

During the 2012-13 fiscal year, the District continued the path of change and reorganization. Based on the District's achievements, on January 29, 2010, the State removed the District from sanctions and reaffirmed accreditation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2013

*Lassen Community College District*

The District, under the direction of first year Superintendent/President Dr. Marlon Hall, continued the same distinct course of fiscal recovery, keeping an eye on the ever changing economic conditions of the State of California and the challenges that small districts in the community college system face, the District has maintained strong fiscal leadership and has a solid footing as we move into the next few years of State Budget recovery.

The District Board of Trustees, administration, and staff are committed to support the fiscal and academic goals of the institution. These goals will continue to evolve over time to help guide the District to fiscal/academic stability, recovery, and sustainability. The District continues to work closely with the Community College Chancellor's Office. Due to the continued fiscal and academic recovery, the Chancellor's Office removed the Special Trustee in 2012.

### **BUDGET INFORMATION**

The District's budget is prepared in accordance with California law and is based on generally accepted accounting principles, utilizing the most current information and projections for forecasting cash receipts and expenditures.

The budget process begins in the spring. The preliminary budget is approved by the Board of Trustees by June 30th and the final budget is approved in September. Revenues are projected based upon the Governor's budget forecast in January and updated in May. If the California State Budget is approved by June 30th or prior to the adoption of the final District budget, the actual revenue projections are included in the final District budget in September.

The largest categories of expenditures are employee salaries and benefits, so staffing projections are a key factor in the budget development process.

The budget is revised on a regular basis and as needed to keep the Board of Trustees informed and to keep abreast of the latest California fiscal status. Variations between the final budget and the actual financial results are a direct result of actions taken by the Board of Trustees, the State financial status, or other circumstances leading to the increase/decrease in revenues and expenditures.

### **FINANCIAL HIGHLIGHTS**

The total assets of the District for the year ended June 30, 2013, exceed the liabilities by \$7,539,872 (net assets). Of this amount, \$2,048,508 is considered unrestricted net position.

At the close of the 2012-13 fiscal year, the Unrestricted General Fund Balance was in excess of the State Chancellor's Office guideline of 5% of expenditures.

The majority of the District funding is based upon Full-Time Equivalent Students (FTES). The District FTES funded by the State totaled 1500.71 reflecting a decrease of approximately 17.6% over the prior fiscal year.

Student financial aid paid to qualifying students was \$2,693,739. This aid was provided through grants and loans from the federal government, State Chancellor's Office, and local funding.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Lassen Community College District*

No salary cost of living increases were provided to the District employees during the 2012-13 fiscal year. However, the costs for employee salaries increased by approximately \$267,763 due to successful recruitment and filling of vacant positions as well as negotiated step increases. The cost for employee benefits decreased by approximately \$74,816, mainly due to a decrease in the amount of post retiree health benefits that were paid.

Condensed District-wide financial information is as follows:

**NET POSITION**

June 30	2013	2012	Percentage Change
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,576,979	\$ 906,544	74%
Accounts receivable - net	4,256,952	2,108,012	102%
Inventory	286,072	262,459	9%
Prepaid expenses	81,772	76,562	7%
<b>Total Current Assets</b>	<b>6,201,775</b>	<b>3,353,577</b>	<b>85%</b>
<b>NONCURRENT ASSETS</b>			
Net other postemployment benefit (OPEB) asset	190,470	123,182	55%
Capital assets - net	5,283,488	5,529,839	-4%
<b>Total Noncurrent Assets</b>	<b>5,473,958</b>	<b>5,653,021</b>	<b>-3%</b>
<b>Total Assets</b>	<b>\$ 11,675,733</b>	<b>\$ 9,006,598</b>	<b>30%</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Long-term debt - current portion	\$ 271,075	\$ 151,276	79%
Accounts payable and accrued liabilities	578,653	692,705	-16%
Advances from grantors	291,750	269,850	8%
Advances from students	402,884	344,156	17%
Tax revenue anticipation notes (TRANs)	2,266,980	-	100%
Amounts held for others	56,984	136,960	-58%
<b>Total Current Liabilities</b>	<b>3,868,326</b>	<b>1,594,947</b>	<b>143%</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term liabilities - noncurrent portion	267,535	486,751	-45%
<b>Total Liabilities</b>	<b>4,135,861</b>	<b>2,081,698</b>	<b>99%</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,986,017	5,142,022	-3%
Restricted	505,347	457,541	10%
Unrestricted	2,048,508	1,325,337	55%
<b>Total Net Position</b>	<b>7,539,872</b>	<b>6,924,900</b>	<b>9%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,675,733</b>	<b>\$ 9,006,598</b>	<b>30%</b>



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Lassen Community College District*

**OPERATING RESULTS**

Years Ended June 30	2013	2012	Percentage Change
<b>REVENUES</b>			
Operating revenues:			
Net tuition and fees	\$ 1,283,345	\$ 878,901	46%
Grants, contracts, and other designated revenues - noncapital	2,241,224	2,405,586	-7%
Auxiliary enterprise - net	434,742	348,171	25%
<b>Total Operating Revenues</b>	<b>3,959,311</b>	<b>3,632,658</b>	<b>9%</b>
<b>Total Operating Expenses</b>	<b>15,351,017</b>	<b>15,597,957</b>	<b>-2%</b>
<b>Operating Loss</b>	<b>(11,391,706)</b>	<b>(11,965,299)</b>	<b>-5%</b>
Nonoperating revenues (expenses):			
State apportionments - noncapital	7,994,990	10,111,685	-21%
Local property taxes	1,472,145	1,529,461	-4%
State taxes and other revenues - noncapital	2,579,661	565,620	356%
Investment income - noncapital	3,213	9,963	-68%
Interest expense - capital	(94,071)	(69,946)	34%
Other nonoperating revenues - net	50,740	441	11406%
<b>Total Nonoperating Revenues</b>	<b>12,006,678</b>	<b>12,147,224</b>	<b>-1%</b>
<b>Change in Net Position</b>	<b>614,972</b>	<b>181,925</b>	<b>238%</b>
<b>Net Position - Beginning of Year</b>	<b>6,924,900</b>	<b>6,742,975</b>	<b>3%</b>
<b>Net Position - End of Year</b>	<b>\$ 7,539,872</b>	<b>\$ 6,924,900</b>	<b>9%</b>

This schedule has been prepared from the statement of revenues, expenses, and changes in net position presented on page 12.

Auxiliary revenue consists of bookstore, cafeteria, and dormitory net revenues.

Grant and contract revenues relate to student financial aid, as well as specific federal and state grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

**MANAGEMENT’S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Lassen Community College District*

**STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District’s ability to meet its obligations as they come due and its need for external financing. This schedule is prepared from the statement of cash flows presented on pages 13 - 14.

	<b>2013</b>	<b>2012</b>
Net cash provided (used) by:		
Operating activities	\$ (11,030,774)	\$ (12,038,092)
Noncapital financing activities	9,730,936	12,862,240
Capital and related financing activities	1,967,060	(1,776,362)
Investment activities	3,213	9,961
<b>Net Change in Cash and Cash Equivalents</b>	<b>670,435</b>	<b>(942,253)</b>
<b>Cash and Cash Equivalents - Beginning of the Fiscal Year</b>	<b>906,544</b>	<b>1,848,797</b>
<b>Cash and Cash Equivalents - End of the Fiscal Year</b>	<b>\$ 1,576,979</b>	<b>\$ 906,544</b>

The primary operating receipts are student tuition and fees and federal, state, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source of noncapital related revenue, the adoption of recent changes to GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the District’s programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

**GENERAL FUND SELECTED FINANCIAL INFORMATION**

**General Fund Revenues**

The District’s major sources of revenue include state apportionment, local property taxes, tuition, enrollment fees, and lottery revenue. State apportionment is based on the calculation of FTES. Of the revenue sources, state apportionment, property taxes, and enrollment fees are referred to as District general revenues or “base revenues” to which cost of living adjustments are added if approved by the California State Legislature in the annual State budget. Other circumstances that can affect base revenues are declining enrollment or growth restoration, maintenance and operations growth, program improvement, or a state-wide budget deficit factor.

The State Chancellor’s Office notifies the District of base revenue changes twice each year or more often if major State budget problems become known. Apportionment adjustments are provided through the First Principal Apportionment Statement (P-1) in February and the Second Principal Apportionment (P-2) in June. On average, the State revenues make up about 81% of the District budget, federal revenues about 1%, and local revenues contributing about 18%.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013

*Lassen Community College District*

**General Fund Expenditures**

The District's expenditures of \$14,221,646 in the General Fund were to provide classroom instruction, counseling and student support services, physical plant related activities, administration, and general support services for 1500 FTES.

Instruction and instructional support, which is about 49% of the total District expenditures, include the costs for instructional activities, administration, and support. Student services, about 11% of total expenditures, includes the costs for admissions and records, counseling and guidance, and other student services. Plant operations, about 9% of total expenditures, includes the cost or maintenance and operations of the physical plant and utilities. All other categories of expenditures including general support and other outgo, amount to about 31%, of which 13% supported student aid and 5% went towards ancillary services.

**Contacting the District's Administration**

This financial report is designed to provide the community, staff, students, investors, creditors, and the Chancellor's office with an overview of the District's financial condition and to show the District's accountability for the funding received. If you have questions or require further information, please contact:

Mr. Dave J. Clausen  
Vice President of Administrative Services  
Lassen Community College District  
P.O. Box 3000  
Susanville, CA 96130-3000

**FINANCIAL SECTION**

**STATEMENT OF NET POSITION**

*Lassen Community College District*

June 30, 2013	<b>Primary Institution</b>	<b>Foundation</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,576,979	\$ 285,109
Investment with fiscal agent	-	68,305
Accounts receivable - net	4,256,952	-
Inventory	286,072	135,176
Prepaid expenses	81,772	14,655
<b>Total Current Assets</b>	<b>6,201,775</b>	<b>503,245</b>
<b>NONCURRENT ASSETS</b>		
Net other postemployment benefit (OPEB) asset	190,470	-
Capital assets - net	5,283,488	171,315
<b>Total Noncurrent Assets</b>	<b>5,473,958</b>	<b>171,315</b>
<b>Total Assets</b>	<b>\$ 11,675,733</b>	<b>\$ 674,560</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Long-term debt - current portion	\$ 271,075	\$ -
Accounts payable	439,202	74,472
Accrued liabilities	139,451	-
Advances from grantors	291,750	-
Advances from students	402,884	-
Campground advances	-	104,295
Tax revenue anticipation notes (TRANs)	2,266,980	-
Amounts held in trust for others	56,984	-
<b>Total Current Liabilities</b>	<b>3,868,326</b>	<b>178,767</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt - noncurrent portion	267,535	-
<b>Total Liabilities</b>	<b>4,135,861</b>	<b>178,767</b>
<b>NET POSITION</b>		
Net investment in capital assets	4,986,017	-
Restricted - expendable	505,347	2,184
Restricted - nonexpendable	-	65,284
Unrestricted	2,048,508	428,325
<b>Total Net Position</b>	<b>7,539,872</b>	<b>495,793</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,675,733</b>	<b>\$ 674,560</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

*Lassen Community College District*

Year Ended June 30, 2013	<b>Primary Institution</b>	<b>Foundation</b>
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 2,659,824	\$ -
Less: Scholarship discounts and allowances	1,376,479	-
<b>Net Tuition and Fees</b>	<b>1,283,345</b>	<b>-</b>
Grants and contracts - noncapital:		
Federal	880,205	-
State	1,151,406	-
Local	209,613	-
Auxiliary enterprise sales and charges	434,742	-
<b>Total Operating Revenues</b>	<b>2,675,966</b>	<b>-</b>
Foundation:		
Eagle Lake Marina	-	282,693
Campgrounds	-	376,330
<b>Total Foundation</b>	<b>-</b>	<b>659,023</b>
<b>Total Operating Revenues</b>	<b>3,959,311</b>	<b>659,023</b>
<b>OPERATING EXPENSES</b>		
Salaries	8,189,778	193,354
Employee benefits	3,284,279	8,761
Payments to students	88,276	60,548
Supplies, materials, and other operating expenses and services	2,984,379	356,414
Utilities	442,451	77,456
Depreciation and amortization	361,854	30,042
<b>Total Operating Expenses</b>	<b>15,351,017</b>	<b>726,575</b>
<b>Operating Loss</b>	<b>(11,391,706)</b>	<b>(67,552)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments - noncapital	7,994,990	-
Local property taxes - noncapital	1,472,145	-
State taxes and other revenues - noncapital	2,579,661	-
Investment income - noncapital	3,213	-
Interest revenues (expenses)	(94,071)	6,937
Financial aid revenues - federal	2,542,560	-
Financial aid revenues - state	90,989	-
Financial aid revenues - local	60,121	-
Financial aid expenses	(2,693,739)	-
Other nonoperating revenues	50,809	49,825
<b>Total Nonoperating Revenues</b>	<b>12,006,678</b>	<b>56,762</b>
<b>Change in Net Position</b>	<b>614,972</b>	<b>(10,790)</b>
<b>Net Position - Beginning of Year</b>	<b>6,924,900</b>	<b>506,583</b>
<b>Net Position - End of Year</b>	<b>\$ 7,539,872</b>	<b>\$ 495,793</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2013	<b>Primary Institution</b>	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 1,372,915	\$ -
Federal grants and contracts	934,028	-
State grants and contracts	972,814	-
Local grants and contracts	467,024	(15,835)
Payments to/on behalf of employees	(11,572,791)	(202,115)
Payments to suppliers	(3,547,330)	(450,359)
Payments to/on behalf of students	(88,276)	(60,548)
Auxiliary enterprise sales and charges	434,742	-
Other receipts (payments)	(3,900)	659,023
<b>Net Cash Used by Operating Activities</b>	<b>(11,030,774)</b>	<b>(69,834)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments - noncapital	5,730,365	-
Local property taxes	1,472,145	-
State taxes and other revenues	2,557,662	-
Financial aid, scholarship, loan trust receipts - federal	2,542,560	-
Financial aid, scholarship, loan trust receipts - state	90,989	-
Financial aid, scholarship, loan trust receipts - local	60,121	-
Financial aid, scholarship, loan trust disbursements	(2,693,739)	-
Other receipts (payments)	(29,167)	49,825
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>9,730,936</b>	<b>49,825</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from tax revenue anticipation notes	4,800,430	-
Payments on tax revenue anticipation notes	(2,533,450)	-
Purchases of capital assets	(115,503)	(2,000)
Principal paid on capital debt	(25,000)	-
Principal paid on capital debt - capital leases	(65,346)	-
Interest paid on capital debt	(94,071)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>1,967,060</b>	<b>(2,000)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	3,213	3,916
<b>Net Change in Cash and Cash Equivalents</b>	<b>670,435</b>	<b>(18,093)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>906,544</b>	<b>303,202</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,576,979</b>	<b>\$ 285,109</b>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2013	<b>Primary Institution</b>	<b>Foundation</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (11,391,706)	\$ (67,552)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	361,854	30,042
Changes in:		
Accounts receivable	137,684	-
Inventory	(23,613)	(959)
Prepaid expenses	(5,210)	(8,731)
Net other postemployment benefit (OPEB) asset	(67,288)	-
Accounts payable	(91,677)	(6,799)
Accrued liabilities	(22,375)	-
Advances from grantors	30,545	-
Advances from students	50,083	-
Compensated absences	(9,071)	-
Campground advances	-	(15,835)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (11,030,774)</b>	<b>\$ (69,834)</b>

*The accompanying notes are an integral part of these financial statements.*



**1. ORGANIZATION AND NATURE OF ACTIVITIES**

*Definition of the Reporting Entity* Lassen Community College District (the District) is a political subdivision of the State of California and provides higher education. The District consists of one community college located in Susanville, California.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The Lassen College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Corporation Law of the State of California. The Foundation was originally incorporated on September 22, 1977, with the express purpose of promoting and assisting the educational programs of the District in accordance with the mission, policies, and priorities of the District as administered by its President. The Foundation had been dormant for several years and new information was submitted to the Secretary of State in December 2002 to reinstate the Foundation.

The Foundation conducts its operations in conformity with general regulations established by the District as required by the *California Education Code*, Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community and two members from the Lassen Community College Board. The Foundation currently funds its operations through management of a wholly-owned subsidiary, Lassen Cougar Enterprises, Inc., which operates the Eagle Lake Marina and campgrounds.

The District and the Foundation have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion of the Foundation as a component unit of the District. Accordingly, the financial activities of the Foundation as a component unit have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Foundation as the component unit that satisfies the GASB:

*Accountability:* The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

*Scope of Public Service:* The Foundation is a nonprofit public benefit corporation incorporated under the laws of the State of California. The Foundation was formed to promote and assist the educational services of the District.

*Discrete Presentation:* For financial presentation purposes, the Foundation's financial activities have been discretely presented with the financial activities of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community Colleges.

***Cash and Cash Equivalents*** The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Lassen County Treasury as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2013, the fair value of the County pool is 99.94% of the carrying value and is deemed to represent an immaterial difference. Derivatives are prohibited within the County investment pool. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of cash and cash equivalents. Realized gains and losses on cash and cash equivalents that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of cash and cash equivalents reported in the prior year. The change in fair value of cash and cash equivalents was insignificant during the year ended June 30, 2013, and there was no significant unrealized gain or loss on cash and cash equivalents held at June 30, 2013.

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2013

*Lassen Community College District*

**Accounts Receivable** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in California. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable based upon a year-end review of outstanding accounts receivable balances and historical collection information. The allowance was \$859,966 at June 30, 2013.

**Inventory** Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Foundation inventory consists of merchandise held for sale at the campgrounds and marina. Inventory is valued at the lower of cost or market.

**Prepaid Expenses** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets** Capital assets are recorded at cost on the date of acquisition or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 25 to 50 years for buildings, 20 years for land improvements, and 5 to 15 years for equipment. Land is considered a nondepreciable capital asset; therefore, no depreciation is computed.

**Advances from Grantors** Advances from grantors include amounts received from grant and contract sponsors that have not yet been earned.

**Advances from Students** Advances from students include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period.

**Campground Advances** Campground advances include amounts received for campgrounds activity prior to the end of the fiscal year that relate to the subsequent accounting period and have not yet been earned.

**Amounts Held in Trust for Others** The District administers funds for certain college related organizations. The liability represents the amount of funds held for these organizations.

**Compensated Absences** Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

**NOTES TO THE FINANCIAL  
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June 30, 2013

*Lassen Community College District*

***Net Position*** The District's net position is classified as follows:

*Net investment in Capital Assets:* Represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred for capital assets but not yet expended, such amounts are not included as a component of net investment in capital assets.

*Restricted Net Position – Nonexpendable:* Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.

*Restricted Net Position – Expendable:* Includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted Net Position:* Unrestricted net position represents resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the policy of both the District and the Foundation to first apply the expense towards restricted resources and then towards unrestricted resources.

***Classification of Revenues*** The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating Revenues:* Include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts, and federal appropriations.

*Nonoperating Revenues:* Include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues, such as: (1) state appropriations; (2) investment income; and (3) federal and state financial aid, scholarship, loan trust receipts, according to GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*; and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

***Scholarship Discounts and Allowances*** Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. The District offers Board of Governor's Waivers (BOGW) to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

**NOTES TO THE FINANCIAL  
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June 30, 2013

*Lassen Community College District*

***Risk Management*** The District's property and liability coverage is insured through the Northern California Community College Self-Insurance Authority (NCCC SIA). The District retains the risk up to \$1,000 per occurrence. The NCCC SIA retains the risk up to \$25,000 on property and \$25,000 on liability. Insurance above these levels is ceded to another joint power authority, Statewide Association of Community Colleges (SWACC), and to a level of \$5 million on liability and \$250 million on property. Schools Excess Liability (SELF) provides insurance coverage from \$5 million to \$45 million.

The District is also a member of the NCCC SIA for workers' compensation coverage. Within NCCC SIA, the workers' compensation insurance program is insured with first dollar coverage through a joint powers authority, Protected Insurance Program of Schools (PIPS).

***Estimates Used in Financial Reporting*** In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest sources of revenues are property taxes, enrollment fees, federal and state revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

Certain current-year apportionments from the State are based on various financial and statistical information of the previous year, as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State will perform a recalculation based on actual financial and statistical information for the year just completed. Any corrections determined by the State are recorded in the year computed by the State.

***Budgets and Budgetary Accounting*** By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and for miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

***General Apportionment and Property Tax*** The District's general apportionment is received from a combination of local property taxes, state apportionments, and other local sources.

The counties are responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the counties. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Lassen and Modoc counties bill and collect the property taxes for the District.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes based upon historical collection percentages of 55% in December, 40% in April, and a true up of the balance of the adjusted Secured Tax Roll in June.

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor’s Office reduces the District’s entitlement by the District’s local property tax revenue and student fees. The balance is paid from the State’s General Fund and is referred to as the state apportionment. The District’s base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES), that the District is entitled to by law.

**Foundation Income Taxes** The Foundation operates under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the *Internal Revenue Code*. *Internal Revenue Code*, Section 513(a), defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The income derived from the operations of the marina and campgrounds is considered unrelated business income. Income taxes for such unrelated business income totaled \$15,184 for the year ended June 30, 2013.

**3. CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents at June 30, 2013:

	<b>Fair Value</b>	
	<b>Primary Institution</b>	<b>Foundation</b>
PETTY CASH/CASH AWAITING DEPOSIT	\$ 3,821	\$ 1,700
DEPOSITS (1)	64,650	283,409
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	1,508,508	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,576,979</b>	<b>\$ 285,109</b>

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

*Lassen Community College District*

**Custodial Credit Risk – Deposits**

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2013, the District and Foundation’s bank balances were fully insured.

**District – Investment Credit Risk**

*California Government Code*, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Aaa, Aa, or A by Moody’s indices. The District’s investment policy is more restrictive than *California Government Code* as it relates to investment vehicles. The District’s investment policy authorizes it to invest in Local Agency Investment Fund (LAIF), the County treasurer’s investment pool, or certificates of deposit (not to exceed \$100,000 in any financial institution). As of June 30, 2013, the District was wholly invested in the County treasurer’s investment pool in the amount of \$1,508,508. The County treasurer’s investment pool is not rated.

**District – Investment Interest Rate Risk**

*California Government Code*, Section 53601, limits the District’s investments to maturities of five years. The District does not have an investment policy regarding interest rate risk.

The schedule of maturities for the District at June 30, 2013, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>
County treasurer's investment pool	\$ 1,508,508	\$ 1,508,508	\$ -

**4. INVESTMENTS WITH FISCAL AGENT**

During the year ended June 30, 2011, the Foundation transferred \$65,284 to the California Community Colleges Scholarship Endowment Fund. The funds remain the Foundation’s asset and are invested alongside other amounts in the Fund. Scholarships will be made annually from this investment at the Foundation’s discretion. The earnings on the invested money will be distributed as scholarships. In years when the earnings are not sufficient, the principal can be used for scholarships as well. During the year ended June 30, 2013, the Foundation’s investment return, net of management fees, was \$6,614. In addition, \$3,333 was distributed from the Fund to the Foundation in order to fund scholarships for the year.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

*Lassen Community College District*

**5. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2013:

Federal grants and contracts	\$ 192,729
State grants and contracts	6,787
Local grants and contracts	25,311
State apportionment - noncapital	3,541,643
State taxes and other revenue	56,585
Tuition and fees	308,134
Other	125,763
<b>Total</b>	<b>\$ 4,256,952</b>

**6. CAPITAL ASSETS**

The District's capital asset activity for the year ended June 30, 2013, is summarized as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>NONDEPRECIATED CAPITAL ASSETS</b>				
Land	\$ 36,240	\$ -	\$ -	\$ 36,240
<b>DEPRECIATED CAPITAL ASSETS</b>				
Site improvements	440,932	-	-	440,932
Buildings and improvements	10,484,423	-	-	10,484,423
Co-generation plant	1,155,043	-	-	1,155,043
Equipment	3,069,966	115,503	-	3,185,469
<b>Total Capital Assets</b>	15,186,604	115,503	-	15,302,107
Less: Accumulated depreciation	9,656,765	361,854	-	10,018,619
<b>Total Capital Assets - Net</b>	<b>\$ 5,529,839</b>	<b>\$ (246,351)</b>	<b>\$ -</b>	<b>\$ 5,283,488</b>

The co-generation plant, which was placed in service in 1985, was operated for less than a month and has been idle since that time. The District is currently researching options for usage or disposal of the plant. Management believes the net book value of the asset approximates the current fair value of the asset and related equipment included within the facility. The net book value of the plant at June 30, 2013, was \$445,285.

The Foundation's capital asset activity for the year ended June 30, 2013, is summarized as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>DEPRECIATED CAPITAL ASSETS</b>				
Site improvements	\$ 204,128	\$ -	\$ -	\$ 204,128
Vehicles	71,191	-	-	71,191
Equipment	97,385	2,000	-	99,385
<b>Total Capital Assets</b>	372,704	2,000	-	374,704
Less: Accumulated depreciation	173,347	30,042	-	203,389
<b>Total Capital Assets - Net</b>	<b>\$ 199,357</b>	<b>\$ (28,042)</b>	<b>\$ -</b>	<b>\$ 171,315</b>



**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

*Lassen Community College District*

**7. TAX AND REVENUE ANTICIPATION NOTES**

On August 16, 2012, the District issued \$2,533,450 of TRANs at an interest rate of 2% due on June 25, 2013. These TRANs were issued under the authority of the *California Government Code*. Proceeds from the issuance of TRANs were used to meet the fiscal 2012-13 expenditures, including operating expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the District. TRANs are general obligations of the District but are payable only from taxes, revenues, cash receipts, and other monies received by the District. On June, 25 2013, the TRANs were repaid in accordance with the above terms.

On February 28, 2013, the District issued an additional \$2,280,600 of TRANs at an interest rate of 2% due on December 31, 2013. These TRANs were outstanding at year end in the amount of \$2,266,980.

**8. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Beginning Balance	Additions	Payments and Reductions	Ending Balance	Current Portion
Compensated absences	\$ 250,210	\$ 252,551	\$ 261,622	\$ 241,139	\$ 181,000
General obligation bonds	204,000	-	25,000	179,000	25,000
Capital lease obligations	183,817	-	65,346	118,471	65,075
<b>Total</b>	<b>\$ 638,027</b>	<b>\$ 252,551</b>	<b>\$ 351,968</b>	<b>\$ 538,610</b>	<b>\$ 271,075</b>

**9. GENERAL OBLIGATION BONDS**

The outstanding general obligation bonded debt is as follows:

The Dormitory Revenue Bonds were issued for the construction of a two-story dormitory. The bonds are secured by a first lien on, and pledge of, the net revenues to be derived from the operation and ownership of the dormitory. The bonds were issued in April 1968 in an original amount of \$789,000. The bonds mature in 2020 and accrue interest at 3%.	<b>\$ 179,000</b>
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The amount of interest cost incurred during the year ended June 30, 2013, was \$6,120, all of which was charged to expenses. The annual requirement to amortize the general obligation bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 25,000	\$ 5,370	\$ 30,370
2015	25,000	4,620	29,620
2016	25,000	3,870	28,870
2017	25,000	3,120	28,120
2018	25,000	2,370	27,370
2019-2020	54,000	2,340	56,340
<b>Total</b>	<b>\$ 179,000</b>	<b>\$ 21,690</b>	<b>\$ 200,690</b>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

*Lassen Community College District*

**10. CAPITAL LEASE OBLIGATIONS**

The District leases equipment at a cost of \$253,346, with related accumulated depreciation of \$106,574, under agreements which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2013, was \$4,977, all of which was charged to expenses. Amortization expense under capital leases has been included with depreciation expense in the statement of revenue, expenses, and changes in net position. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2014	\$ 68,854
2015	29,144
2016	26,735
<b>Total</b>	<b>124,733</b>
Less: Amount representing interest	6,262
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 118,471</b>

**11. EMPLOYEE RETIREMENT SYSTEMS**

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

**Funding Policy**

Active plan members are required to contribute 8.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$325,219, \$277,432, and \$338,956, respectively, and equaled 100% of the required contributions for each year.

**Other Information**

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees at June 30, 2013.

## **California Public Employees' Retirement System (CalPERS)**

### **Plan Description**

The District contributes to the California School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

### **Funding Policy**

Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$365,820, \$346,395, and \$340,567, respectively, and equaled 100% of the required contribution for each year.

### **On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 5.291% of the covered members' gross salaries. The contribution for the years ended June 30, 2013, 2012, and 2011, are estimated to have been \$217,384, \$208,457, and \$185,584, respectively. A contribution to CalPERS was not required for the years ended June 30, 2013, 2012, and 2011. The payment amounts have not been reported in the basic financial statements as management believes they are immaterial to the financial statements taken as a whole.

## **12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

In addition to the pension benefits described above, the District provides postemployment health care benefits to employees who retire from the District in accordance with negotiated contracts with the various bargaining units of the District.

### **Plan Description**

The Lassen Community College District Postretirement Health Benefits Plan (the Plan) is a single-employer OPEB plan administered by the District. Faculty hired prior to February 1, 1989, and confidential and management employees hired prior to June 30, 1989, may receive benefits from age 55 to age 65. The District pays 100% of the eligible retirees' medical and dental plan premiums as well as the premiums of their dependents. Before receiving benefits, confidential and management employees must have 10 years of service with the District. Faculty must have a total of 15 years in education with at least 10 years of employment with the District. As of June 30, 2013, the District has 3 active full-time employees who are eligible for postretirement health benefits and 10 retirees who receive postemployment health benefits. One of the management retirees who receive postemployment health benefits met the hiring requirement and years of service requirement, but due to a disability the age requirement was waived by the District. This was an isolated occurrence and all other retirees met all criteria established.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

*Lassen Community College District*

**Funding Policy**

The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of the District and plan members are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

**Annual OPEB Cost and Net OPEB Asset**

For the year ended June 30, 2013, the District’s annual OPEB cost was \$243,982. The District’s OPEB cost and the net OPEB asset for the year ended June 30, 2013, were as follows:

Annual required contribution	\$ 244,458
Interest on net OPEB asset	(6,159)
Adjustment to annual required contribution	5,683
<b>Annual OPEB Cost</b>	<b>243,982</b>
Contributions	(311,270)
<b>Change in Net OPEB Asset</b>	<b>(67,288)</b>
<b>Net OPEB Asset - Beginning of Year</b>	<b>(123,182)</b>
<b>Net OPEB Asset - End of Year</b>	<b>\$ (190,470)</b>

The District’s annual OPEB cost, and the net OPEB obligation (asset) for the years ended June 30, 2013, 2012, and 2011, were as follows:

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual Employer Contributions</b>	<b>Percentage Contributed</b>	<b>Net Ending OPEB Asset</b>
June 30, 2011	\$ 262,272	\$ 293,036	112.00%	\$ (10,555)
June 30, 2012	\$ 261,221	\$ 373,848	143.12%	\$ (123,182)
June 30, 2013	\$ 243,982	\$ 311,270	127.58%	\$ (190,470)

**Funded Status and Funding Progress**

The funded status of the Plan as of the actuarial valuation date below, was as follows:

	<b>September 1, 2012</b>	<b>July 1, 2009</b>
Actuarial accrued liability (AAL)	\$ 780,094	\$ 1,431,270
Actuarial value of plan assets	-	-
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 780,094</b>	<b>\$ 1,431,270</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 240,957	\$ 716,820
<b>UAAL as a Percentage of Covered Payroll</b>	<b>323.75%</b>	<b>199.67%</b>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents trend information for the July 1, 2009, and September 1, 2012, actuarial valuation dates, as these are the most current studies since the implementation of GASB Statement No. 45.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2012, actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 5.0% discount rate based on the assumption that a substantial portion of the ARC is funded. A 3.0% price inflation and a 3.0% wage inflation assumptions were used as well as an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized over a 7-year period using the flat dollar amount method.

## **13. COMMITMENTS AND CONTINGENCIES**

### **Federal and State Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

State apportionment revenue is determined by the State, based on various financial and statistical information. In prior years, the California Community Colleges Chancellor's Office (the Chancellor's Office) conducted a review of various "minimum conditions" related to the determination of apportionment amounts for the District. Based on this review, the Chancellor's Office reduced prior years' apportionments by approximately \$2,000,000. During the year ended June 30, 2006, the District entered into a Resolution Agreement with the Chancellor's Office, which was superseded by an agreement dated August 29, 2008. Under the terms of the agreement, the District's future apportionments will be reduced by amounts ranging from \$100,000 to \$162,047 per year during the period from June 30, 2008, through June 30, 2018, until the prior years' overpayment has been repaid. Under the terms of the agreement, the District has the opportunity to reduce the contingent liability by producing evidence requested as part of the Chancellor's Office review or by incurring certain expenditures. During the year ended June 30, 2013, the District did not incur any expenditure that was approved by the Chancellor's Office as a reduction to this liability. As a result the District recorded a liability at June 30, 2013, in the amount of \$57,307, which represents the current year required repayment net of prior year expenditure overpayments.

**14. JOINT POWERS AGREEMENTS**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Community Colleges Self-Insurance Authority (NCCC SIA), Siskiyou County Schools Joint Powers Authority, and Siskiyou County Schools Dental JPA. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs arrange for and provide property, liability, workers' compensation, dental, vision, and excess liability coverage for their members.

Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. There has been no significant reduction in any of the insurance coverages from prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years.

**15. CHANGE IN ACCOUNTING PRINCIPLES**

The District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective July 1, 2012. There was no effect on net position.

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. The components of net position were renamed to reflect the requirements of this statement.

The District early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. There was no effect on net position.

**16. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement replaces requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, related to defined benefit pension plans and defined contribution pension plans administered through trusts or similar arrangements. The object of this statement is to establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses or expenditures. For defined benefit pension plans, this statement will identify methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This objective will result in revised methods of measurement and recognition, the reporting of a net pension liability on the statement of net position, and enhanced note disclosures and required supplementary information. The provisions of GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014. The District has not yet determined the effect this statement will have on its financial statements.

**SUPPLEMENTARY INFORMATION SECTION**

# ORGANIZATION STRUCTURE

June 30, 2013

*Lassen Community College District*

The forerunner of Lassen Community College began on May 4th, 1925, when the Junior College Department of the Lassen Union High School District was established and began conducting classes on the Lassen High School campus.

A separate facility was created in 1941 and in 1947, because of increasing enrollment, a new building was constructed adjacent to the high school.

The modern era of Lassen Community College began in March 1965 with the establishment of the Lassen Community College District and the separation from the high school district.

The District provides higher education instruction for the first and second years of college education and vocations training at Lassen Community College.

## BOARD OF TRUSTEES

<b>Name</b>	<b>Office</b>	<b>Area</b>	<b>Term Expires</b>
Jeff Hemphill	President	V	December 2016
Louis Hamilton	Vice President	II	December 2014
Thomas Holybee	Member	I	December 2014
Sophia Wages	Member	I	December 2014
Buck Parks	Member	III	December 2016
Vacant	Member	IV	December 2016
Tim Purdy	Member	I	December 2016

## ADMINISTRATION

Marlon R. Hall, Ed. D.  
Superintendent/President

Dr. Beatriz Vasquez  
Executive VP of Academic Services

Dr. Tammy Robinson  
Dean of Instruction

Mr. Patrick Walton  
Dean of Student Services

Mr. Dave Clausen  
VP of Administrative Services



**SCHEDULE OF WORKLOAD MEASURES  
FOR STATE GENERAL APPORTIONMENT  
ANNUAL ATTENDANCE**

*Lassen Community College District*

June 30, 2013

The full-time equivalent resident students (FTES) eligible for 2012-13 state apportionment reported to the Chancellor's Office as of June 30, 2013, are summarized below:

	<b>Reported Data</b>
<b>SUMMER INTERSESSION (Summer 2012 only)</b>	
Noncredit	0.74
Credit	113.72
<b>SUMMER INTERSESSION (Summer 2013 - Prior to July 1, 2013)</b>	
Noncredit	-
Credit	136.96
<b>PRIMARY TERMS (Exclusive of Summer Intersession)</b>	
<b>Census Procedure Courses</b>	
Weekly Census Contact Hours	549.09
Daily Census Contact Hours	202.17
<b>Actual Hours of Attendance Procedure Courses</b>	
Noncredit	16.44
Credit	80.09
<b>Alternative Attendance Accounting Procedure</b>	
Weekly Census Contact Hours	371.47
Daily Census Contact Hours	30.03
Noncredit Independent Study/Distance Education Courses	-
<b>Total FTES</b>	<b>1,500.71</b>
<b>SUPPLEMENTARY INFORMATION (Subset of above information)</b>	
<b>BASIC SKILLS COURSES AND IMMIGRANT EDUCATION</b>	
Noncredit	5.60
Credit	71.20

*See the accompanying note to the supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

*Lassen Community College District*

June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through/ Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL AWARDS</b>			
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program		84.063	\$ 1,803,368
Federal Work-Study Program		84.033	274,352
Federal Supplemental Education Opportunity Grants		84.007	76,545
Federal Direct Student Loans		84.268	<u>668,977</u>
<b>Total Student Financial Assistance Cluster</b>			<u>2,823,242</u>
Strengthening Institutions			
Passed Through California Department of Education		84.031	<u>285,661</u>
Career and Technical Education - Basic Grants to States	11-CO1-025	84.048	153,543
Career and Technical Education - Technical Preparation	11-112-130	84.051	<u>32,784</u>
<b>Total Passed Through State Department of Education</b>			<u>186,327</u>
<b>Total U.S. Department of Education</b>			<u>3,295,230</u>
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program		10.558	19,295
Passed Through California Department of Forestry			
Schools and Roads - Grants to States		10.665	<u>73,733</u>
<b>Total U.S. Department of Agriculture</b>			<u>93,028</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families		93.558	<u>34,507</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,422,765</u>

*See the accompanying note to the supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
STATE AWARDS**

June 30, 2013

*Lassen Community College District*

	Cash Received	Accounts Receivable	Program Revenues		Total Program Expenditures
			Advances from Grantors	Total	
Disabled Students Programs and Services	\$ 175,585	\$ -	\$ -	\$ 175,585	\$ 175,585
Extended Opportunity Programs and Services	253,665	-	-	253,665	253,665
CalWORKs	148,608	-	8,530	140,078	140,078
Matriculation	52,917	-	-	52,917	52,917
Matriculation Noncredit	2,360	-	-	2,360	2,360
Cal Grant	90,989	-	-	90,989	90,989
BFAP	104,434	-	-	104,434	104,434
Part-Time Faculty Allocation	27,456	-	-	27,456	27,456
Kinship Education	53,946	6,787	-	60,733	60,733
Cooperative Agency Resources					
Education	36,809	-	-	36,809	36,809
Basic Skills	139,607	-	55,435	84,172	84,172
Scheduled Maintenance/Physical	993	-	-	993	993
Staff Diversity	6,896	-	896	6,000	6,000
General Childcare	107,566	-	-	107,566	107,566
State Preschool	96,768	-	-	96,768	96,768
State Food Program	1,195	-	-	1,195	1,195
CD Consortium	675	-	-	675	675
<b>Total State Programs</b>	<b>\$ 1,300,469</b>	<b>\$ 6,787</b>	<b>\$ 64,861</b>	<b>\$ 1,242,395</b>	<b>\$ 1,242,395</b>

*See the accompanying note to the supplementary information.*

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (FORM CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS**

*Lassen Community College District*

June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Trust Funds</u>	<u>Total</u>
<b>June 30, 2013 - Annual Financial and Budget Report Fund Balances</b>	\$ 3,170,161	\$ (1,068,019)	\$ 152,623	\$ 59,163	\$ 2,313,928
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES					
District identified adjustments	290,594	-	-	-	290,594
<b>June 30, 2013 - Audited Financial Statement Fund Balances</b>	<u>\$ 3,460,755</u>	<u>\$ (1,068,019)</u>	<u>\$ 152,623</u>	<u>\$ 59,163</u>	<u>\$ 2,604,522</u>

*See the accompanying note to the other supplementary information.*

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2013

*Lassen Community College District*

Page 1 of 2

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
INSTRUCTIONAL SALARIES							
Contract or regular	1100	\$ 2,435,909	\$ -	\$ 2,435,909	\$ 2,435,909	\$ -	\$ 2,435,909
Other	1300	1,086,007	-	1,086,007	1,086,007	-	1,086,007
<b>Total Instructional Salaries</b>		<b>3,521,916</b>	<b>-</b>	<b>3,521,916</b>	<b>3,521,916</b>	<b>-</b>	<b>3,521,916</b>
NON-INSTRUCTIONAL SALARIES							
Contract or regular	1200	-	-	-	471,013	-	471,013
Other	1400	-	-	-	143,195	-	143,195
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>614,208</b>	<b>-</b>	<b>614,208</b>
<b>Total Academic Salaries</b>		<b>3,521,916</b>	<b>-</b>	<b>3,521,916</b>	<b>4,136,124</b>	<b>-</b>	<b>4,136,124</b>
<b>CLASSIFIED SALARIES</b>							
NON-INSTRUCTIONAL SALARIES							
Regular status	2100	-	-	-	1,701,971	-	1,701,971
Other	2300	-	-	-	161,906	-	161,906
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,863,877</b>	<b>-</b>	<b>1,863,877</b>
INSTRUCTIONAL AIDES							
Regular status	2200	296,410	-	296,410	296,410	-	296,410
Other	2400	8,758	-	8,758	8,758	-	8,758
<b>Total Instructional Aides</b>		<b>305,168</b>	<b>-</b>	<b>305,168</b>	<b>305,168</b>	<b>-</b>	<b>305,168</b>
<b>Total Classified Salaries</b>		<b>305,168</b>	<b>-</b>	<b>305,168</b>	<b>2,169,045</b>	<b>-</b>	<b>2,169,045</b>
OTHER							
Employee benefits	3000	1,338,335	-	1,338,335	2,622,246	-	2,622,246
Supplies and materials	4000	-	-	-	205,467	-	205,467
Other operating expenses	5000	76,027	-	76,027	1,599,435	-	1,599,435
Equipment replacement	6420	-	-	-	-	-	-
<b>Total Other</b>		<b>1,414,362</b>	<b>-</b>	<b>1,414,362</b>	<b>4,427,148</b>	<b>-</b>	<b>4,427,148</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 5,241,446</b>	<b>\$ -</b>	<b>\$ 5,241,446</b>	<b>\$ 10,732,317</b>	<b>\$ -</b>	<b>\$ 10,732,317</b>

See the accompanying note to the supplementary information.

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2013

*Lassen Community College District*

Page 2 of 2

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
ACTIVITIES TO EXCLUDE							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ 190,845	\$ -	\$ 190,845	\$ 190,845	\$ -	\$ 190,845
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	-	-	-	120,425	-	120,425
<b>Total Instructional Salaries</b>		<u>190,845</u>	<u>-</u>	<u>190,845</u>	<u>311,270</u>	<u>-</u>	<u>311,270</u>
OBJECTS TO EXCLUDE							
Rents and leases	5060	-	-	-	30,100	-	30,100
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	89,134	-	89,134
<b>Subtotal</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>119,234</u>	<u>-</u>	<u>119,234</u>
Supplies and materials:	4000						
Software	4100	-	-	-	31,618	-	31,618
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	55,927	-	55,927
Non-instructional supplies and materials	4400	-	-	-	90,938	-	90,938
<b>Subtotal</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>178,483</u>	<u>-</u>	<u>178,483</u>
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay:	6000						
Library books	6300	-	-	-	22,236	-	22,236
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>22,236</u>	<u>-</u>	<u>22,236</u>
Other outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		<u>190,845</u>	<u>-</u>	<u>190,845</u>	<u>631,223</u>	<u>-</u>	<u>631,223</u>
<b>Total for ECS 84362 - 50% Law</b>		<u>\$ 5,050,601</u>	<u>\$ -</u>	<u>\$ 5,050,601</u>	<u>\$ 10,101,094</u>	<u>\$ -</u>	<u>\$ 10,101,094</u>
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		<u>50.00%</u>	<u>0.00%</u>	<u>50.00%</u>			
<b>50% of Current Expense of Education</b>					<u>\$ 5,050,547</u>	<u>\$ -</u>	<u>\$ 5,050,547</u>

See the accompanying note to the supplementary information.

**RECONCILIATION OF EDUCATION  
PROTECTION ACCOUNT EXPENDITURES**

*Lassen Community College District*

June 30, 2013

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA Proceeds</b>	8630				\$ 2,171,926
<b>Activity Classification:</b>					
Instructional activities	0100-5900	\$ 2,171,926	\$ -	\$ -	2,171,926
<b>Total Expenditures for EPA</b>		<u>\$ 2,171,926</u>	<u>\$ -</u>	<u>\$ -</u>	2,171,926
<b>Total Revenue Less Expenditures</b>					<u>\$ -</u>

*See the accompanying note to the other supplementary information.*

**NOTE TO THE SUPPLEMENTARY  
INFORMATION**

June 30, 2013

*Lassen Community College District*

**PURPOSE OF SCHEDULES**

**Schedule of Workload Measures for State General Apportionment Annual Attendance**

A full-time equivalent student is a measurement of the number of hours students attend classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts.

**Schedules of Expenditures of Federal and State Awards**

These schedules are prepared on the modified accrual basis of accounting. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. These schedules were prepared to comply with OMB Circular A-133 and state requirements.

**Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements other than those adjustments related to the conversion required by GASB Statement Nos. 34 and 35.

**Reconciliation of 50% Law Calculation**

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

**Reconciliation of Education Protection Account Expenditures**

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.



**OTHER REPORTS SECTION**



MATSON  
& ISOM

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Lassen Community College District  
Susanville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Lassen Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies; and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency, item 13-1.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Continued

**District's Responses to the Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Matson and Isom*

November 27, 2013  
Redding, California



MATSON  
& ISOM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Lassen Community College District  
Susanville, California

**Report on Compliance for Each Major Federal Program**

We have audited Lassen Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2013.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Continued

**Report on Internal Control Over Compliance**

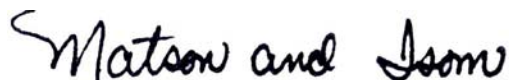
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 27, 2013  
Redding, California



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Lassen Community College District  
Susanville, California

### **Compliance**

We have audited the Lassen Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2012-13*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2013. The applicable state compliance requirements are identified in the table below.

### ***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the District's management.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual 2012-13*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2012-13*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

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SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW  
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS  
STATE GENERAL APPORTIONMENT FUNDING SYSTEM  
RESIDENCY DETERMINATION FOR CREDIT COURSES  
STUDENTS ACTIVELY ENROLLED  
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES  
GANN LIMIT CALCULATION  
CALIFORNIA WORK OPPORTUNITY AND RESONSIBILITY TO KIDS (CalWORKs)  
OPEN ENROLLMENT  
STUDENT FEES - INSTRUCTIONAL AND OTHER MATERIALS  
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEE FUNDS  
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)  
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)  
TO BE ARRANGED HOURS (TBA)  
PROPOSITION 1D STATE BOND FUNDED PROJECTS  
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS

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*Opinion*

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2013, except as described in the accompanying schedule of findings and questioned costs as item 13-2 through 13-4.

**The District's Response to Findings**

The District's responses to the noncompliance findings identified in our audit are described in the schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance, and the results of that testing based on the *California Community Colleges Contracted District Audit Manual 2012-13*. Accordingly, this report is not suitable for any other purpose.

*Matson and Isom*

November 27, 2013  
Redding, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**



**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**SECTION I  
SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	None Reported
Type of auditors' report issued on compliance for major program	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs CFDA Nos. 84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
Threshold for distinguishing types A and B programs	\$300,000
Determined to be a low-risk auditee?	No

**STATE AWARDS**

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	Yes
Type of auditors' report issued on compliance for state programs	Qualified

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

**INTERNAL CONTROL**

13-1

**Significant Deficiency**

**Condition**

Adjusting journal entries are not being properly reviewed before being posted to the general ledger.

**Criteria**

Board procedure AP 6300 requires that the District implement and maintain effective internal controls for the purpose of safeguarding and managing the District's assets. One such internal control is that journal entries are not initiated, prepared, and recorded by a single individual without review by anyone else.

**Effect**

It is possible that a material misstatement of the District's general ledger could occur and not be prevented, or detected and corrected in a timely manner, by the District's internal controls.

***Recommendation***

We recommend that the District establish procedures to ensure that all adjusting journal entries are properly reviewed before being posted to the general ledger, and that there is some evidence of that review having taken place, such as signature on the journal entry form.

***Response***

The District agrees with this finding and recognizes this issue as a deficiency. This issue is due to lack of staffing in the Business Office. The Comptroller, who would normally review the journal entries that a staff accountant would make, performs both functions. We do not see this being corrected until such time that the District has sufficient resources to hire additional staff. As a mitigating control the Vice President of Administrative Services does a management level review as well as reviews monthly financial statements for reasonableness.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

**STATE COMPLIANCE (Extended Opportunity Programs & Services - EOPS, and  
Cooperative Agencies Resources for Education - CARE)**

13-2

**Significant Deficiency**

**Condition**

The District reported more students than actually served on its report submitted to the Chancellor's Office for the Fall semester. Of the 15 students reported as having been served by the District, only 14 should have been reported, as one was not actually served under the CARE program due to being ineligible for the program.

**Criteria**

Per the CARE Auditing Guidelines, approximately one month following the end of each reporting term (summer, fall, winter, and spring) during the academic year, each district submits a Student Basic Record and a Student EOPS Record for every student served by CARE.

**Effect**

Filing reports with incorrect data could cause the District to be over or underfunded for its EOPS/CARE services provided.

***Recommendation***

We recommend that the District establish procedures to ensure that reports filed with the Chancellor's Office contains accurate information.

***Response***

The District agrees with this finding. One student who had dropped was improperly reported. The District has changed its processes for verifying file for submission.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (CalWORKs)**

13-3

**Significant Deficiency**

**Condition**

The District used CalWORKs funds for reimbursements for travel expenditures related to a conference, which had no benefit to CalWORKs students.

**Criteria**

Funds expended by the CalWORKs program must be to provide support services, curriculum development, or instructions to CalWORKs students. Expenditures related to in-state travel and training must be for CalWORKs related training conferences and workshops per the *California Community Colleges CalWORKs Program Handbook*, updated November 2010.

**Effect**

Expenditures of \$400 were paid out during the year for travel expenses related to a conference which was attended that did not benefit the program.

***Recommendation***

We recommend that expenditures being paid with CalWORKs funds are carefully reviewed prior to approval to determine that the expenditure meets stated guidelines.

***Response***

The District agrees with this finding. The District will have administration over the categorical programs review the expenditures for trainings and workshops for applicability to the specific program.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Salaries of Classroom Instructors: 50 Percent Law)**

13-4

**Significant Deficiency**

**Condition**

During our testing, we noted that the lottery fund expenditures were not segregated into separate accounts as required. However, we did note these expenditures were properly excluded from the 50% law calculation.

**Criteria**

*California Government Code*, Section 8880.5(b) and (k), specifies community college districts, as a condition for receiving lottery funds, shall establish a separate account for the receipt and expenditure of those funds.

**Effect**

Using separate accounts/sub-funds assists the District with ensuring that lottery funds are appropriately excluded from the 50% law calculation. By not following this requirement, the District could erroneously include lottery expenditures in their calculation.

***Recommendation***

The District should implement an account structure that separately accounts for lottery expenditures as required.

***Response***

The District agrees with this finding. The District has provided separate receipt accounts in the past. The District will now implement an account structure for expenditure reporting as well.

**CORRECTIVE ACTION PLAN**

June 30, 2013

*Lassen Community College District*

Not applicable: there are no current-year findings related to federal awards.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**INTERNAL CONTROL**

12-1

**Material Weakness**

**Condition**

During our audit of the prior year, we identified several audit adjustments (including a prior-period adjustment) that were material to the financial statements and which were required in order for the financial statements to be prepared in accordance with generally accepted accounting principles. While other year-end adjustments were identified by the District's internal control, these adjustments were not identified through internal controls.

**Criteria**

All adjustments necessary for financial statements to be prepared in accordance with generally accepted accounting principles should be identified and posted by the District.

**Effect**

Financial statements which were not in conformity with generally accepted accounting principles could have been prepared and distributed.

***Recommendation***

We recommended that the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making various adjustments throughout the year that have typically been performed at year end, and performing more frequent reviews of the general ledger throughout the year. In addition, we recommended that management take steps to ensure that all adjustments necessary to prepare financial statements in conformity with generally accepted accounting principles were identified and posted prior to the start of the audit.

In addition, we recommended that the duties of these reconciliations be delegated to an individual under the supervision of the Controller to enable the Controller to perform the review of the process. If this was not possible, we recommended that the Vice President of Administrative services take a more active role in the review of the reconciliations prepared by the Controller.

Finally, we further recommended the District hire an individual in the IT field to assist the accounting department with the accounting software and reporting functions.

***Current Status***

The VP of Administrative Services performed a quarterly management level review of journal entries in fiscal year 2012-13. More frequent review of the General Ledger was performed during the fiscal year and adjustments made on a more timely basis. The newly hired Director of IT is working with staff to correct or enhance the accounting department's software. The program is scheduled for a complete NIPR in Spring of 2014 and will review the staffing needs. The additional staff accountant was not hired due to budgetary concerns.



**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Extended Opportunity Programs & Services - EOPS, and  
Cooperative Agencies Resources for Education - CARE)**

12-2

**Significant Deficiency**

**Condition**

During the prior year audit, we noted that the District did not hold two advisory committee meetings for the CARE program during the academic year.

**Criteria**

For the CARE program, the advisory committee is required to meet at least twice during each academic year (CARE Program Guidelines, revised August 1, 2010).

**Effect**

The purpose of the advisory committee is to assist the District in developing and maintaining adequate programs. By not holding the advisory committee meetings, the programs could operate in an inefficient or ineffective manner.

***Recommendation***

We recommended that the District establish procedures to ensure that the advisory committee for CARE met the required number of times each academic year.

***Current Status***

The District held the required advisory meetings during fiscal year 2012-13.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Open Enrollment)**

12-3

**Significant Deficiency**

**Condition**

During our audit of the prior year, we noted that the District's course catalog did not include all courses offered by the District. The excluded courses are not held each semester and included 48 and 98 in the course identification number.

**Criteria**

A description of each course must be published in the official catalog and schedule of classes. (5 CCR 58104).

**Effect**

The course was not well publicized which may have had an effect on the students selection of courses.

***Recommendation***

We recommended that the District include all courses offered in the course catalog and verify all course catalog titles and descriptions prior to publishing the official catalog and schedule of classes.

***Current Status***

The District continued its work on the course catalog to ensure publication of all required courses, and has corrected those issues identified above in the 2013-14 catalog.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Disabled Student Programs and Services - DSPS)**

12-4

**Significant Deficiency**

**Condition**

During our testing of the prior year, we discovered that none of the 25 student files selected included documentation of the services provided by the District.

During our testing of the prior year, we noted that the DSPS office did not have available a “Program Plan” or the approval letter provided by the State Chancellor’s Office.

During our testing of the prior year, we noted that the District did not have a policy or procedure for responding, in a timely manner, to accommodation requests involving academic adjustments in dispute.

**Criteria**

To demonstrate compliance with *California Code of Regulations*, Title 5, Section 56026, the District should maintain records of the services provided to students with disabilities, including numbers of hours, pay rate, names of providers, and the identification of the disability and educational limitations requiring the service.

To demonstrate compliance with *California Code of Regulations*, Title 5, Section 56046, the District is required to maintain and submit a “Program Plan” to the Chancellor’s Office upon request. The Program Plan should contain at least all of the following: long-term goals of the DSPS program; the short-term measurable objectives of the program; the activities to be undertaken to accomplish the goals and objectives; and a description of the methods used for program evaluation.

To demonstrate compliance with *California Code of Regulations*, Title 5, Section 56027, the District should establish a policy and procedure for responding, in a timely manner, to accommodation requests involving academic adjustments. This procedure shall provide for an individualized review of each request. The procedure shall also permit the Section 504 Coordinator, or other designated District official with knowledge of accommodation requirements, to make an interim decision pending a final resolution.

**Effect**

There was a potential for noncompliance with the California Chancellor’s Office *Implementing Guidelines for Title 5 Regulations – DSPS*, due to the lack of effective monitoring and retention of student files, the lack of a Program Plan with all of the required elements, and the lack of a policy and procedure for accommodation requests involving academic dispute.

**Recommendation**

We recommended the District implement tighter internal controls to ensure that proper documentation was received and filed for every student participating in the DSPS program, that the District compile and maintain a “Program Plan” to include all elements outlined in *California Code of Regulations*, Title 5, Section 56046 and that the District develop a policy and procedure for responding to academic adjustments in dispute.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Disabled Student Programs and Services - DSPS)**

12-4

*Current Status*

The District worked with DSPS staff to tighten internal controls and to develop a policy to address accommodation requests involving academic disputes. The District is no longer required to submit a Program Plan for approval to the State Chancellor's Office, per communication from that entity.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (To Be Arranged Hours - TBA)**

12-5

**Significant Deficiency**

**Condition**

During our prior year audit, we noted that the number of hours of instruction for TBA (To Be Arranged) courses was not listed in the official general catalog for all of the courses selected for testing. In addition, we noted that documentation that demonstrated each student had completed the TBA requirement as appropriate for either weekly or daily census attendance was not maintained for all of the courses selected for testing.

**Criteria**

A clear description of the course, including the number of TBA hours required, must be published in the official general catalog and/or addenda and listed in the schedule of classes (5 CCR 58104, and *TBA Hours Compliance Advice* (Legal Advisory 08-02), published October 1, 2008).

If a credit census based course includes required instructional hours for enrolled students that are listed as TBA in the official schedule or addenda, documentation is required to demonstrate that each student has completed the TBA requirement as appropriate for either weekly or daily census attendance accounting procedures. (5 CCR 58003.1(b), 58003.1(c): *Student Accounting Manual*, page 3.3.)

**Effect**

The courses may not be well publicized which may affect the students selection of courses.

The FTES claimed for apportionment may not be accurate.

***Recommendation***

We recommended that the District update their general catalog to include the number of TBA hours required for all TBA courses.

We also recommended that the District maintain attendance records for each course with a TBA component.

***Current Status***

During the year the District did not offer any TBA courses, but improved its policies and procedures related to attendance recordkeeping. The District also noted it will now be including the number of hours of instruction in the general catalog for future TBA courses as needed.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2013

*Lassen Community College District*

**STATE COMPLIANCE (Apportionment for Instruction Service Agreements)**

12-6

**Significant Deficiency**

**Condition**

During our testing of the prior year, we noted that the District did not have contracts with the employees of the U.S. Forest Service that were teaching courses during the 2011-12 fiscal years. The contract was required to state that the District had the primary right to control and direct the instructional activities of the instructor.

**Criteria**

To demonstrate compliance with *California Code of Regulations*, Title 5, Section 58058, where the instructor is not a paid employee of the District, the District must have a written agreement or contract with each instructor conducting instruction for which FTES are to be reported that states that the District has the primary right to control and direct the instructional activities of the instructor.

**Effect**

Without strengthening internal controls over the Instruction Service Agreements, attendance apportionment could have been improperly claimed.

***Recommendation***

We recommended that for each agreement using employees of a contracting entity, the District obtain a written agreement or contract with each instructor conducting instruction for which FTES are to be claimed.

***Current Status***

The District has included written agreements for each instructor conducting instruction and will strengthen internal controls to facilitate the proper documentation be collected at the beginning of each fiscal year.